

SECRET

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

20 July 1982

NOTE FOR:

Ch/OGI/ED/OSA

25X1

FROM:

Maurice C. Ernst  
NIO/EC

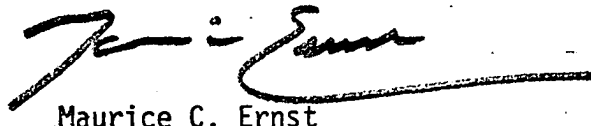
SUBJECT: NIO/EC Comments on Sakhalin Oil and Gas Paper

1. This is a well done paper and it should be very useful to policy level officials. Although I realize appropriate data is probably not available, a bit more discussion would be useful on two points:

(1) The economics of the project. It is not clear why Sakhalin gas would be cheaper than gas from Alaska or Abu Dhabi, given the highly adverse physical conditions. Perhaps the Soviets will accept a more lower rate of return. The fact that Sakhalin is closer to Japan than Alaska should not be a major cost factor (see p. 6). I should think that gas from Abu Dhabi or Qatar would be potentially cheaper despite the longer distances.

(2) What judgments can we make about the ability of the Japanese to go it alone in the construction of appropriate production platforms? And if they do, would this give them a major wedge as a competitor in the world market?

2. I do not see why Tokyo "sets little store" in other joint resource development projects in Siberia.



Maurice C. Ernst

SECRET